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TAGS: [PGOV](#) [PREL](#) [PREF](#) [ETRD](#) [MASS](#) [NP](#) [XD](#)
SUBJECT: NEPAL: JULY 20-25 VISIT TO WASHINGTON OF FOREIGN
SECRETARY ACHARYA

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Classified By: Ambassador Michael E. Malinowski for reasons 1.5 (b) and
(d).

[1](#)1. (U) This cable contains an action request at paragraph 17.

Summary: Issues the Secretary Intends to Address in
Washington

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[1](#)2. (SBU) On July 17, the Ambassador, DCM, and poloff met with Nepal's Foreign Secretary, Madhu Raman Acharya, to discuss his upcoming visit to Washington. In a very cordial session, a well-prepared Acharya walked through the key points presented in his non-paper (provided in its entirety at paragraph 19). Key issues discussed included:

- The strong and increasingly cooperative U.S.-Nepal relationship;
- Nepal's security situation;
- Nepal's political situation, including prospects for elections;
- Nepal's application to the World Trade Organization;
- Bhutanese and Tibetan refugees;
- Senator Feinstein's languishing bill on Nepali garment exports to the U.S.;
- Article 98 Agreement entry into force;
- Progress in settling Bhote Koshi Power Company dispute;
- South Asian Association for Regional Cooperation (SAARC);
- Counter-terrorism cooperation; and
- Security cooperation, including Nepalese troops to Iraq and U.S. military assistance.

End summary.

Security Situation

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[1](#)3. (C) Overview: Maoist-Government dialogue has continued informally. The Maoists have requested written commitments on constitutional amendments or a constituent assembly. The Government has made a firm offer, in writing, to renew official dialogue. A Maoist response was expected later that day. Acharya reported that during informal discussions, the Maoist leadership refused to acknowledge continued extortion by members of the Maoist party. The Maoists' refusal has forced the Government of Nepal (GoN) to make some arrests. Acharya stated that these arrests pose some risk to the ongoing peace talks, but he seeks USG understanding.

[1](#)4. (C) Integrated Security/Peace Development Plan (ISDP) Implementation: In addition to the points in the Acharya's non-paper, he added that a Secretariat is being created for ISDP implementation. This step will breathe life into the long-dormant plan intended to restart government services in conflict affected areas and re-build much needed infrastructure.

[1](#)5. (C) Negotiation Assistance: The Ambassador asked Acharya if international monitors/facilitators would be useful in negotiations with the Maoists. He replied that international assistance might be necessary but not at this stage. Acharya stated that offers of assistance would be interpreted as expressions of support and concern by the international community. They would not be dismissed out of hand.

[1](#)6. (C) Human Rights: Acharya called the Ambassador's and DCM's attention to the recent prosecution of Royal Nepalese Army personnel for human rights violations (septel). He stated that these cases are the first but would not be the last. Acharya stated that earlier investigations and prosecutions of human rights abuses were not possible due to the inability of the army, due to Maoist threats, to bring investigators to the scene of alleged violations.

Political Situation

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[1](#)7. (C) Acharya affirmed the GoN's commitment to holding elections. He reported that the Prime Minister is optimistic about eventually bringing more political parties into his

interim administration. (Note: The budget for the next fiscal year released later the same day has a budget allocation (septel) to cover election expenses should they be held. End note.)

World Trade Organization (WTO)

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18. (C) The GoN is currently negotiating in the Third Working Party meeting in Geneva. Acharya stated that the GoN has responded to all U.S. bilateral requests regarding industrial goods. Legislation in accordance with the GoN's WTO action plan is being drafted. Technical assistance from the USG would be appreciated. Acharya requested US understanding on being unable to meet all U.S. requirements for agricultural goods, and that the current offer to greatly liberalize Nepal's services industry should be seen as a great step forward, especially when compared with restrictions in neighboring countries.

Senator Feinstein's Garment Bill

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19. (C) Secretary Acharya will be prepared to discuss both the deportation of Tibetans and the payment dispute of the Bhote Koshi Power Company, and their effect on the garment bill's prospects.

110. (C) Bhote Koshi Power Company (BKPC) Dispute: The GoN has deducted payments due to BKPC without explanation. The amount of deductions has grown to USD 1.5 million. The U.S. Secretary of State has received a number of letters from

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concerned Members of Congress on this issue. In a new development, Acharya revealed that Nepal's Cabinet had directed the Nepal Electricity Authority (NEA) to accept an offer tendered during informal meetings, whereby NEA will pay the full amount of the invoice. Discrepancies in the average versus actual charges will be reconciled at the end of the contract year. This resolution needs to be approved by the NEA Board. (Note: This decision has not yet been briefed to the local representatives of the BKPC. End note.)

Refugees

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11. (C) Bhutanese: Acharya thanked the Ambassador for his recent public statement calling for the engagement of UNHCR in the repatriation of refugees from Eastern Nepal back to Bhutan. He stated that despite concerns, Nepal and Bhutan need international support for the bilateral progress to continue. Acharya is concerned that repeated condemnations of the bilateral process will undermine the recent forward movement achieved toward resolving the twelve year-old issue.

He reported that the GoN is about whether with the citizenship and property of the returning refugees will be reinstated, but stated firmly that Nepal cannot raise these issues directly with Thimpu. Acharya requested that the USG and other international parties work constructively with Bhutan to establish a presence there to monitor repatriation.

112. (C) Tibetans: Acharya repeated the Prime Minister's June 16 statement that the deportation of the 19 Tibetans was an error. He reported that the GoN was under tremendous pressure by the Government of China to deport them. The negative publicity has, in his view, discouraged the Chinese from making such demands in the future. Acharya asserted that the GoN has demonstrated its seriousness in returning to previous policies by handing over undocumented Tibetans to UNHCR in two separate cases and continuing to allow busloads of UNHCR-processed Tibetans to transit the country to India. (Note: While in Washington, the GoN may seek quiet meetings with Representatives of the Dalai Lama in order to coordinate on areas of mutual interest. End note.)

Counter-Terrorism Cooperation and Listing of the Maoists

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113. (C) Acharya briefly covered joint cooperation between the U.S. and Nepal on counter-terrorism. He urged the U.S. to avoid language referring to cooperation on border security. The language on this issue in the recently signed Anti-Terrorism Agreement caused some surprising concern in India. He also wanted to alert the USG that should the peace talks move forward, the GoN may request that the U.S. remove the Maoists from its terrorist watch list. The Ambassador reminded Acharya that the murderers of two Embassy guards have not yet been brought to justice and that the Maoists have issued a fresh threat to U.S.-affiliated Nepalese (septel). Acharya stated that he understood and repeated that such a request would be made only if there was progress towards peace.

South Asian Association for Regional Cooperation (SAARC)

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¶14. (C) Acharya offered to brief interested parties in Washington on the recently completed meeting in Kathmandu of the SAARC Standing Committee of foreign secretaries. Acharya chaired the meeting as Nepal was the host for the conference. He reported that Indo-Pak dialogue was assisted in the recent meeting. He requested, however, additional U.S. assistance in reducing Indo-Pak tension, for the benefit of the entire South Asian region.

U.S. Military Assistance =====

¶15. (C) The Secretary requested that the USG continue to deliver military assistance. He cited the fragility of the current cease-fire and the need to maintain Nepalese security forces in the longer term for peacekeeping. He stated that he will pursue the items identified in the Pacific Command's Assessment Team Report, including items that fall outside current funding levels, such as helicopters. Since Nepalese troops may deploy to Iraq and will certainly continue to be active participants in future UN-led peacekeeping operations, Acharya argued that larger U.S. military assistance would be a "good investment."

Nepalese Deployment for Iraq Stabilization =====

¶16. (C) Acharya stated that he would be prepared to discuss issues related to the deployment of Nepalese troops to Iraq. Nepalese troops will require airlift to the theater and support once on the ground.

===== Action Request =====

¶17. (C) Acharya is a young and intelligent Secretary, prepared to hold wide-ranging discussions on Nepal and South Asia. In order to facilitate a constructive interaction, Acharya has offered to address a roundtable with representatives of interested bureaus in the Department and of other USG agencies. Post urges the Department to take advantage of this opportunity to hear directly from one of our key interlocutors. End action request.

Comment =====

¶18. (C) Acharya is clearly heading to Washington to provide damage control on Tibetans and request greater security assistance. As sweeteners, the Cabinet has moved to resolve a nagging business dispute, reaffirmed support for democracy, and addressed human rights abuses. For a Secretary working without a separate Foreign Minister (the Prime Minister is now the titular Foreign Minister), Acharya has done remarkably well in convincing the Cabinet to take USG concerns seriously. The fragility of the cease-fire and the large uncertainties of the political environment put a strong pressure on Acharya to return with tangible benefits. In many ways, the expectations placed by the GoN on this trip are similar to those placed on former Prime Minister Deuba during his visit last year.

Non-Paper Presented by Foreign Secretary Acharya =====

¶19. (C) Begin Text:

Title: Foreign Secretary's Visit to Washington, DC (July 20-25, 2003)

Purpose: This will be a consultation visit in continuation of the exchange of such visits in recent years. Among other things, the Foreign Secretary intends to discuss with the concerned U authorities the ongoing bilateral cooperation (security and development), current political situation in Nepal, matters related to Nepal's accession to the WTO, Bhutanese and Tibetan refugee issues, proposed bill for granting "duty free quota free access" to the US market, cooperation against international terrorism, US request for Nepalese troops to Iraq, and the progress in the recent meeting of the SAARC Foreign Secretaries held in Kathmandu.

Political Situation: Government is committed to continue to seek resolution with the Maoists through negotiations. Informal negotiations are being held. There are some issues, such as implementation of the previously agreed points, which are causing problems. Maoists are also seeking the written confirmation of the government's position on each of the issues they had proposed earlier as "substantive agenda." Formal negotiations will be held very soon. There are occasional violations of the cease-fire, but not threatening the peace process itself. Reports of extortion from businesses and people and from foreign establishments are increasing in frequency. Their leadership is denying the allegations.

Among the government's agenda is the effort to reconcile with the main political parties, which are agitating in the streets demanding an all party-government, restoration of the parliament and now some political demands as well as transparency in the assets of the late and present King. PM is taking a very soft and conciliatory approach, and is confident of their support at the end. At least, he is hopeful of the support of the Nepali Congress.

The government is committed to holding elections as soon as possible. The chances of declaring the parliamentary or local elections very soon are limited, as it is extremely unlikely that the Maoists will support this before a political settlement.

Security Cooperation: Although cooperation in counter-insurgency training matters is progressing very well, other materials and equipment under the Foreign Military Financing (USD 14 million) pledged by the US have not arrived. The security forces prefer helicopters (two MI-17 and Huey II armed helicopters) and other items (M16A2 rifles, M203 grenade launchers, night vision sets, HF radio sets, pilot protective gear). The US assessment team has also identified these items. In view of the fragile cease-fire situation, strengthening the capability of the security forces still remains a top priority. Apart from the deliveries (Dec. 2002 and July 2003), purchase of M16A2 rifles will continue as planned.

Nepal is for continuation of the "Enhanced International Peacekeeping Capability (EIPC)" (USD 1.3 million, since 2000) under the US support for training and procurement of equipment to enhance Nepal's peacekeeping capabilities.

Integrated Security and Development Program (ISDP): His Majesty's Government is committed to this concept. But its implementation needs to be made simple and workable, since most of the program will be implemented at the field level. His Majesty's Government has allocated additional funds in the coming year's budget to expand the ISDP project. The Cabinet is considering a proposal for establishing the ISDP Secretariat in Kathmandu. We intend to expand it to eight

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additional districts around Kathmandu Valley, in addition to the existing eight in the mid-west hilly region. The nomenclature from "security" (ISDP) to "peace" (IPDP) should not be a major problem. The security agencies still want to call it ISDP.

Terrorism: There is a special political significance of signing a bilateral cooperation between the two countries on cooperation against international terrorism. We also intend to benefit from the training opportunities offered by the US Government. We need to avoid using the words "control over international border" in view of the regional sensitivity. We have informed our neighbors that this relates to training of personnel only and it is not directed against them. The inclusion of the Nepalese Maoists in the "other terrorists" list of the US Government has a irked them a little bit. But it will not affect the negotiations. We think this is something the USG can review on basis of development in the negotiations and their commitment to peaceful pursuit of their cause.

Troops Issue: His Majesty's Government of Nepal is considering a US request for troops for Iraq. There are diverging views. Public opinion is divided for an against the case of Nepalese troops to Iraq. Increased involvement of the UN in the peacekeeping role would sort out this problem in the long run. Our military does not have the capacity to airlift the troops and equipment and would require assistance. We can adopt the Haiti model, in which troops and equipment were airlifted by the US. This can be discussed.

WTO Accession: Nepal's accession to the WTO has reached a crucial stage. We have submitted our revised consolidated offer, including the legislative action plan. Our offer has gone quite far in view of our economic situation as a least developed and landlocked country, and our proposed tariff rates are much lower than that of the other countries in the region. At present, the Nepalese team is in Geneva negotiating with the working group. We urge the US Government's support for our case. Our commitment to trade liberalization is known to the US Government. We are also committed to our plans. We are ready to negotiate the specific issues raised by the US Government. If there is US support, we are confident that we will be able to accede to the WTO this fall in Cancun. There is good political commitment and a lot of preparations. We are ready to use the offers of US technical assistance in various pieces of legislation and other capacity building matters.

US demands for chemical harmonization and textile harmonization are commitments difficult to achieve under WTO

negotiations. In the services sector, we have opened many sectors, whereas an LDC can limit to three sectors only. It would be difficult for us to give more concessions in agriculture, which is the mainstay of our economy. But our agricultural tariff is already lower than others in the region.

Nepal urges the USG to support our "fast track" entry that is envisaged for the LDCs. We do not want to "miss the boat" now and wait for years of additional negotiating.

Garment Bill: Nepal has a strong case in favor of "duty free quota free access" of Nepalese ready-made garments to the US market. We are basically very appreciative of the support the US Government agencies have given to our cause. We are urging the Senator who had introduced the bill to pursue for approval. We are ready to discuss and address the concerns expressed by the Senators and Congressmen on the Tibetan refugee issue and issue of Panda Energy's dispute with Nepal Electricity Authority.

Tibetan Refugees: We value the humanitarian concerns expressed in the US and elsewhere about the Tibetan refugees.

In view of the realization that the deportation of the 18 Tibetans in May was an error, which provoked such an uproar and negative publicity for Nepal, His Majesty's Government of Nepal has pledged to continue its earlier policy and handed over another 19 Tibetans to UNHCR in July. Thanks to the reaction, even the Chinese are now receptive to the idea that such a deportation, although rare and legally correct, could be politically damaging to both sides. The Right Honorable Prime Minister himself has written to the US Senators and Congressmen and Congresswomen explaining Nepal's policy on refugees and committing not to repeat such cases. This should solve the problem.

Bhutanese Refugees: We would also appreciate similar concern for the over 100,000 Bhutanese refugees languishing in seven camps in eastern Nepal since 1991. We have taken positively the recent statement by the US Ambassador to Nepal, His Excellency Michael Malinowski, on the situation of Bhutanese refugees after the publication of the joint verification team results and after unilateral disclosure of the conditions of return by Bhutan. There are concerns of the refugees and irregularities in the report of categorization, which need to be addressed during the ongoing process of appeals. We would appreciate the USG's good offices to impress upon Bhutan to become a little more flexible. In particular, they need to allow the UNHCR to conduct repatriation, allow the returnees to go back to their original land and property and not to transit camps, and to simplify the reapplication procedure after their return. Other conditions also need to be made simpler and acceptable to the refugees so they could choose to return voluntarily.

South Asia Regional Development: The latest meeting of the SAARC Foreign Secretaries hosted by Nepal on July 9-10 was successful in clearing the agenda of the regional cooperation held due to the postponement of the Summit-level meeting. Agreeing to accelerate progress on major agenda items such as the South Asian Free Trade Area (SAFTA) draft and agreeing to the next Summit dates, the Secretary-level meeting has contributed to a better confidence building and further normalization of relations between India and Pakistan. We appreciate the US Government's constructive role of engaging the two countries. From the current chair of SAARC, Nepal is playing a modest role to further enhance regional cooperation despite the kind of environment existing between the two archrivals. Nepal held delegate-level bilateral talks with both the Foreign Secretaries after the SAARC meeting. We have urged both that we want to see their relations improve. Though the Indian and Pakistan Foreign Secretaries did not meet bilaterally, they were very relaxed, informal and open during the discussion of the agenda items under SAARC.

Other Matters: His Majesty's Government is readying itself to notify the USG of the entry into force of the agreement signed last year between the two sides on the non-extradition of persons under Article 98 of the statute of the International Criminal Court (ICC).

120. (U) End Text.
MALINOWSKI